



MEMORANDUM

TO: Mayor & Council Members

CC: Marc A. Ott, City Manager
Electric Utility Commission
Resource Management Commission

FROM: Larry Weis, General Manager 

DATE: December 4, 2013

SUBJECT: Solar Program Changes

Austin Energy is authorized under Council Resolution to set rebate and incentive levels for the Solar Rebate Program. Current conditions indicate that a change in rebate levels is necessary and Austin Energy (AE) is adjusting the residential solar rebate from \$1.50 per Watt to \$1.25 per Watt. In addition, the commercial solar Performance Based Incentive (PBI) will be lowered from \$0.12 per kWh to \$0.10 per kWh. These changes are effective today as of 3:00 p.m. We will be communicating these changes via email to all of our solar installers and we will be meeting with them at our regular monthly meeting on December 19, 2013 to answer any questions they have.

As designed, the solar rebate program has rapidly stimulated the development of a strong solar installation industry in Austin and has resulted in more than 2,835 residential and commercial solar installations, and 12.3 MW of solar PV installed in Austin as of October 31, 2013. The number of solar installers in Austin has increased from 4 to 40 in the past nine years. According to Solar Austin, a local non-profit organization, over 600 jobs have been created in Austin as a result of the local solar market. By all accounts, the AE Solar Rebate Program has been a success. However, from time to time modifications to the Solar Rebate Program are needed to ensure its continued success.

Residential Rebate

There has been a dramatic increase in the number of applications received this year compared to last year. In September 2013, AE received 138 applications (representing 20% of the annual solar goal); this was more than double the level of activity seen in September, 2012. Despite the announced reduction in the Value of Solar (VoS) credit effective January 1, 2014, application submittals have remained heavy.

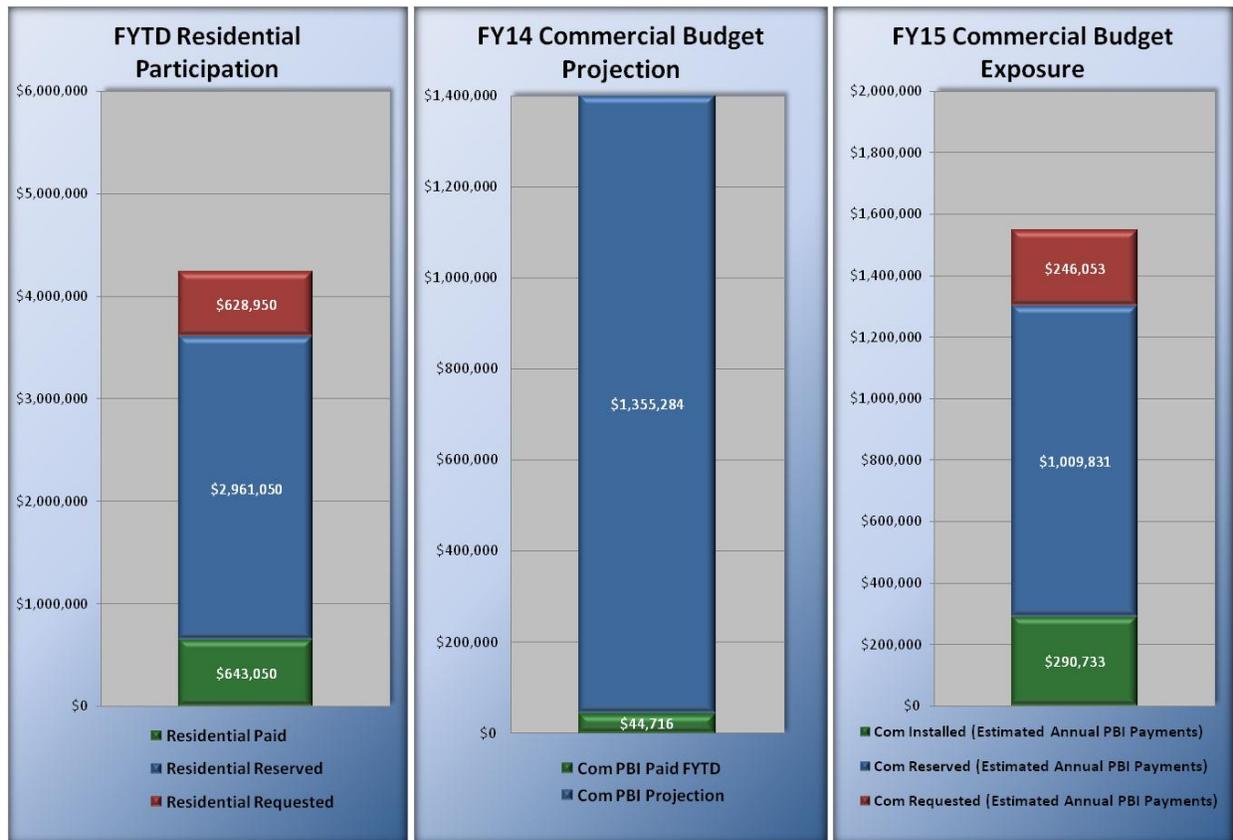
When FY14 rebates paid, rebates reserved through Letters of Intent (LOI) and rebate requests are combined, the total Fiscal Year to Date (FYTD) residential participation equals \$4.2 million or 70% of AE’s residential solar rebate budget of \$6 million. Though the level of activity tends to slow in the winter months, AE needs to take action to ensure the program remains open through the fiscal year. Even with the reduced incentive and VoS credit, the payback for a residential customer installing a new solar system is roughly ten years.

Commercial Performance Based Incentive (PBI)

The FY14 commercial PBI budget is \$1.4 million and with projects installed and planned we expect to meet this target. It is important to keep in mind performance based incentives are paid out over a ten year period thus impacting future year budgets. If all approved PBI projects are installed in FY14, the annual budget impact for FY15 will be \$1.52 million and a lowering of the PBI is needed to ensure that we manage within the FY15 projected budget of \$2 million.

Our analysis shows that lowering the PBI incentive from \$0.12 per kWh to \$0.10 per kWh will provide a reasonable return on investment for the customer and will also help align the solar program with the current and proposed FY14 and FY15 budgets.

The charts below reflect program activity fiscal year-to-date, versus approved FY14 and projected FY15 budgets.



Austin Energy also tracks a number of other factors on an ongoing basis that impact local solar market conditions in order to reach a judgment about economically efficient solar rebate levels. The factors impacting Austin's emerging solar market that warrant a rebate reduction are as follows.

Current Residential Solar Photovoltaic (PV) Rebate Program Market Conditions

1. Oncor's solar rebate program is completely reserved and may open back up in November.
2. The Guadalupe Valley Electric Coop is also completely reserved.
3. San Antonio's solar rebate has four tiers:
 - I. Schools - \$2.00 per AC watt for the first 25 kW AC in power capacity production and \$1.30 per AC watt for all remaining capacity output greater than 25 kW AC.
 - II. Residential - \$1.60 per AC Watt up to \$25,000 or 50% cap -- whichever is less.
 - III. Commercial - \$1.60 per AC watt for the first 25 kW AC in power capacity production and \$1.30 per AC watt for all remaining capacity output greater than 25 kW AC up to \$80,000 cap.
 - IV. \$1.30 per AC Watt for residential and commercial systems not installed by a contractor with local presence.

Austin Energy will prepare presentations for both the Electric Utility Commission and the Resource Management Commission on this program change. The EUC, RMC and solar contractor community are being alerted today as well.

Please let me know if you have any questions.